

The Challenge of Job Creation

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Abstract

The Indian media is full of reports about the layoffs due to the current slowdown in the economic growth partially caused by demonetization and poor implementation of the Good & Services Tax (GST). However, this paper focuses on the long run course of Indian development by asking why the process of economic transformation that entails labour transiting from low to high productivity activities, has been much slower in India than in other Asian countries like China. First, the article examines how China has transformed itself into an industrial powerhouse, while India has not, considering that both countries had similar levels of poverty in 1978 when the Chinese reforms began. Following, this article analyzes the structure of the Indian economy by looking at the structure of its labour market and the anatomy of the Indian growth spurt. The organized sector has failed to absorb much labour from the unorganized sector in India, where the productivity increases have been modest if any. While the obstacles to the expansion of the organized sector have been widely discussed, this article draws attention to the importance of improving the productivity of the activities in India's unorganized sector.

Keywords: *India, development, job creation, unorganized sector, China*